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HOUSE BILL 683 By
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SENATE BILL 1420
By Person

AN ACT to amend Tennessee Code Annotated, Title 7, relative to the functions of local governments and public utilities.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 7-34-115, is amended by deleting subsection (a) in its entirety and by substituting instead the following:

(a) Notwithstanding the provisions of any other law to the contrary, as a matter of public policy, municipal utility systems shall be operated on sound business principles as self-sufficient entities. User charges, rates and fees shall reflect the actual cost of providing the services rendered. No public works shall operate for gain or profit or as a source of revenue to a governmental entity, but shall operate for the use and benefit of the consumers served by such public works and for the improvement of the health and safety of the inhabitants of the area served. Nothing herein shall preclude a municipality from subsidizing, in accordance with the adopted budget of the municipality, a public works system with tax revenues. Nothing herein shall preclude a municipal utility system from operating water and sewer systems as individual or combined entities. Nothing herein shall preclude a municipal utility system from operating a public works system as

a special revenue fund when the governing body of the municipality determines that it is in the best interest of the customers of the public works system and the citizens of the municipality. To the extent of any conflict between this section and the Wastewater Facilities Act of 1987, compiled in Title 68, Chapter 221, Part 10, the latter statute shall control. Any municipality shall devote all revenues derived from a public works to or for:

- (1) The payment of all operating expenses;
- (2) Bond interest and retirement and/or sinking fund payments;
- (3) The acquisition and improvement of public works;
- (4) Contingencies;
- (5) The merger of two (2) or more individual public works systems, including electric, gas, water and sewer systems, into a combined entity;
- (6) The payment of other obligations incurred in the operation and maintenance of the public works and the furnishing of services;
- (7) The redemption and purchase of bonds, in which case such bonds shall be cancelled;
- (8) The creation and maintenance of a cash working fund;
- (9) The payment of an amount to the general fund of the municipality not to exceed a cumulative return of six percent (6%) per annum of any equity invested from the general fund, if any, of the municipality. Equity investment includes any contributions or purchases made by the municipality from the general fund, including, but not limited to, cash contributions, retirement of debt service and purchases of equipment so long as these contributions are reflected in the utility's financial statement; provided, that such definition of equity investment shall not change the status under this section of any payments made pursuant to any provision of a city charter in existence on or before July 1, 1993; and

(10) If the governing body of the municipality by resolution so requests, payments to the municipality in lieu of ad valorem tax on the property of the public works within the corporate limits of the municipality not to exceed the amount of taxes payable on privately owned property of similar nature.

SECTION 2. This act shall take effect July 1, 2001, the public welfare requiring it.